REPORT

Introductory

The erstwhile Ministry of Information Technology was set up with the objective of being the nodal institutional mechanism for facilitating all initiatives by the Central Government, the State Governments, the Academia and the Indian private sector with a view to implement a comprehensive action plan to make India an IT Super Power. Due to Convergence of Communication and Information Technology, the Government in December, 2001 merged the Ministry of Communications and Ministry of Information Technology and set up a new Ministry of Communications & Information Technology. The Ministry of Information Technology has since been renamed as Department of Information Technology (DIT), of the new Ministry. Department of Information Technology is responsible for formulation, implementation and review of various programmes/schemes.

I. BUDGET ESTIMATES

2. The Ministry has presented the following Demands for Grants for the year 2002-03:

2002-2003	***Plan***	***Non-Plan***	***Total***
Revenue	422.34	32.71	455.05
Capital	47.66	---	47.66
Total	**470.00**	**32.71**	**502.71**

3. It may be seen that out of the proposed annual outlay of the year 2002-03 of Rs. 1,165.77 crore, with a gross budgetary support of Rs. 937.19 crore, the Department has received Rs. 467 crore and Rs. 3 crore as foreign Grant.

II. FINANCIAL OUTLAY

4. The Committee desired to know the outlay projected by the Department of IT to the Planning Commission, In reply the Department of Information Technology furnished the following details:

SCHEME	Annual Plan (2002-2003)			
	Proposed		Approved	
	Outlay	Gross Budgetary Support	Outlay	Gross Budgetary Support
I. R&D PROGRAMMES				
SAMEER	23.93	13.93	22.00	12.00
Industrial Electronics Promotion Prog.inc. Robotics	10.14	5.40	8.24	3.50
Microelectronics' & Nano-Tech Devp. Prog.	25.00	25.00	3.00	3.00
Technology Development Council	18.00	18.00	5.00	5.00
Dev. of Strategic Electronic Eqpt.	6.00	6.00	3.00	3.00
Electronic Component & Material Dev Prog	27.30	25.35	7.05	5.10
C-DAC	20.50	20.50	10.00	10.00
Photonics/Optoelectronics	5.00	5.00	3.00	3.00
ERDCs	57.41	15.00	50.41	8.00
Electronics in Health and Bio-Tech.	8.00	8.00	5.00	5.00
TechnologyDev.for Indian Languages	8.00	8.00	6.00	6.00
Development of CG Industry	2.00	1.00	2.00	1.00
Transport & Power Distribution Prog.	22.58	7.43	19.75	4.60
Centre for Liquid Crystal Research	2.87	2.87	1.70	1.70
IPR Promotion Programme	2.80	2.80	0.40	0.40
Promotion/R&D in IT/Special IT Projects	15.00	15.00	21.00	21.00
IT for Masses	5.00	5.00	20.00	20.00
Media Lab. In Asia	195.00	90.00	1.00	1.00
R&D Sub-Total	**454.53**	**274.28**	**188.55**	**113.30**
II. INFRASTRUCTURE DEVELOPMENT				
ERNET	6.00	6.00	0.10	0.10
Vidya Vahini' & 'Gyan Vahini' Prog.	10.00	10.00	30.00	30.00
STQC	38.00	38.00	27.31	27.31
SEPP	7.00	7.00	0.00	0.00
STPI	50.00	50.00	8.00	8.00
IT Venture Capital	10.00	10.00	10.00	10.00
Electronic Governance	75.00	50.00	66.17	41.17
IT Act / Certification	5.00	5.00	5.00	5.00

Hi-Tech Investment Park	20.00	20.00	0.00	0.00
Semiconductor LayoutDesign Act-2000	1.50	1.50	0.50	0.50
Community Information Centres (CIC)	61.00	61.00	20.00	20.00
Infrastructure Sub-Total	**283.50**	**258.50**	**167.08**	**142.08**
III. HUMAN RESOURCE DEVELOPMENT				
CEDT	22.43	14.85	11.58	4.00
NCST	7.00	7.00	3.00	3.00
Software Manpower Development/Employment Generation	20.70	20.70	6.00	6.00
Special Manpower for ASIC Design	22.00	22.00	2.00	2.00
HRD Sub-Total	**72.13**	**64.55**	**22.58**	**15.00**
IV. MISCELLANEOUS				
Headquarter (Secretariat & Bldg.)	12.00	12.00	10.24	10.24
El. For Rural/Social /Agri/Water Sector	14.00	4.00	14.00	4.00
Tech. Information and Forecasting	2.50	2.50	0.50	0.50
Electronics Industry Information Prog.	0.35	0.35	0.25	0.25
E-Commerce & Info-Security (incl. Smart Cards)	5.00	5.00	5.00	5.00
Policy Formulation & Eco Analysis in IT Sector	1.00	1.00	0.60	0.60
Miscellaneous Total	**34.85**	**24.85**	**30.59**	**20.59**
SUB-Total (I to V)	**845.01**	**622.18**	**408.80**	**290.97**
V. PSUs				
Semiconductor Complex Ltd.	38.51	35.01	3.51	0.01
VI. NIC	275.00	275.00	175.02	175.02
VII. ESC & Export Market Development Prog	7.25	5.00	6.25	4.00
Grand Total	**1165.77**	**937.19**	**593.58**	**470.00**

5. It was observed from the material furnished to the Committee that out of Rs 425 crore (RE) Plan sanction, the Department could utilize only Rs. 385.65 crore (Actual). Asked about the reasons for shortfall, it was pointed out that during the year 2001-2002 there has been substantial shortfall in utilization of funds in schemes like Industrial Electronic Programme (NMC) Special manpower for ASIC design, software/Hardware Export Promotion, Manpower development for Software Export and Electronics for Rural/social/agr/water Sector, The Committee inquired about the reasons thereof. In a written reply, the Department has submitted that, the figure of Rs 385.65 crores was of expenditure up to 13 March 2002. As on 26 March 2002, the additional expenditure (tentative) is Rs 410 crores. Thus all the Budget provisions were expected to be fully utilized. It has been further added that the

proposal for an additional Supplementary grant for Rs72 crore has been agreed to by Ministry of Finance in the year 2001-2002.

6. The Secretary, Department of IT, in evidence submitted that, the Department had received half of the allocation it had proposed. In 2001-2002, the plan allocation originally was Rs. 425 crore and it received Rs. 72.0 crore in supplementary grant. If compared with the plan provision of 2002-03 it would be Rs. 30 crore less. Thus, there is not even a 10 per cent increase on the original Budget Estimate of the previous year. In fact provision of this year represents a decrease as compared to the previous year's allocation.

7. To a query about the impact of the reduction in outlay on developmental schemes of the Department, the Department of IT in a written note has stated, that the GBS of Rs. 470 crore only allocated to Department in 2002-2003 would affect new initiatives like bio-informatics, nano-technology, smart card, ultra high purity metals, packaging materials etc, and other projects which would be affected are, viz. ERNET, CIC extension, E-Governance initiatives, Tele-medicine and New R&D initiatives.

8. The Secretary, Department of IT in evidence further added that reduction in the Plan would impact upon the new programmes that the Department intended to start and would restrict them to only pilot-level experimentation.

9. He illustrated this fact by stating that projects like Gyan Vahini and Vidya Vahini would suffer, whereas under Vidya Vahini the Department wanted to provide connectivity to about 6,000 schools in phase-I, and under Gyan Vahini, to connect major university campuses in the country. These programmes would now remain Pilot projects only. He added that when it comes to replication and application across the country, the Department would not be able to provide facilities, as it does not have the resources to handle a programme of Rs. 6,000 crore to be delivered in two years time.

10. The Secretary also stated that it is easy to implement a project at a pilot scale, which the Department can do, with a couple of crore of rupees, but the attempt to replicate the idea at a larger scale gets hampered. He was of the view that, at the end of the day there may be a number of success stories, but the same cannot be replicated because States do not have funds and the Government of India does not provide required funds.

11. The Committee desired to know whether India would be able to keep its position intact in software technology in view of other South Asian Countries coming up fast, the

Secretary stated that the only way to maintain position was to enhance the allocation to keep pace with the rate at which IT sector is growing. He added that, the 10 percent incremental approach was not right. In his view the Government investment must be at the incremental rate of 50 percent year after year.

12. The Committee drew attention to the observations made in the 24th Report of the Committee on Demands for Grants 2001-2002 pertaining to Ministry of Information Technology, wherein it had been mentioned that the Planning Commission had reduced the allocation of the Ministry with the contention that every Ministry was expected to spend about three percent of its Budget for IT development, and desired to know whether the Department of Information Technology was aware as to what percentage the different Ministries had actually been spending on I.T. The Secretary, Department of Information Technology stated that, so far no earmarking had been done, therefore accurate figures were not available; however, he stated that it might be in the order of one percent at the most.

13. A perusal of the Performance Budget 2002-2003 furnished to the Committee reveals that it does not contain the financial performance of each scheme detailed in the document. The Committee further, drew attention of the Department to a discrepancy of figures in the Performance Budget, as it did not contain latest updated figures. The Secretary stated that the department would take care of the same from the next year.

14. The Committee also pointed out certain discrepancies in the figures supplied on the achievement of physical targets, in two documents furnished by the Department on the same subject, *viz*. the Annexure to the Budget Brief and replies to the Questionnaire.

15. The Committee notes that the Department of Information Technology had proposed an outlay of Rs.1,165.77 crore, however, it received an amount of Rs. 470 crore only for 2002-03. It is a matter of grave concern that as a result of reduced allocation a number of projects like ERNET, CIC extension, E-Governance initiatives, tele-medicines and other new R&D activities would suffer irreparable deceleration. The new initiatives in infrastructure development like Gyan Vahini and Vidya Vahini would not be able to bring the desired results as full-fledged schemes but would remain confined as Pilot Projects. The Committee is of the opinion that with the reduced allocations, implementation of the abovementioned schemes would be tardy and it will not be possible to achieve their broad objectives in vital areas.

16. The Committee is perturbed to note that the view of Planning Commission to earmark 3 per cent of the annual allocation of every Ministry on IT related activities has not found much acceptance, and the actual spending is not likely to exceed even 1 per cent . The Committee, therefore, desires that the Department of Information Technology take up the matter with the Planning Commission and Ministry of Finance at the highest level for enhanced allocation of funds to develop the emerging and extremely important I.T. sector.

17. The Committee regret to note that as a result of down-sizing of the Annual Plan 2002-03, the Department could not make any effort to persuade the Planning Commission for issuing mandatory instructions to all Ministries to spend three per cent of their Budget on IT as was done last year. The Committee feels that the funds not spent by the other Ministries on IT related activities should have actually been allocated to the Department of IT. But on account of inaction on the part of the Department, it could neither ensure the three per cent spending by other Ministries nor could it secure these funds for itself. Thus this year also, the Planning Commission has made a drastic cut in the Department's Plan allocation, and restricted the programme implementation of the Department. The Committee recommends that the Department should take up this matter with the Planning Commission and ensure that sufficient funds are made available to the Department, if other Ministries are not expending the mandatory amount on IT related activities.

18. The Committee takes serious note of the fact that the documents furnished to the Committee do not contain information pertaining to financial and physical targets and achievements of the schemes/ programmes of the Department in the desired format. As a result of it, the Committee found it difficult to critically evaluate the performance of the Department while implementing its schemes and programmes. The review by the Committee could help the Department of Information Technology to reassess various projects and schemes and take corrective steps.

19. The Committee trusts that in future the Department while preparing the Performance Budget, will provide necessary details of the financial and physical targets set out and achievements made in the year under review and the previous year alongwith the reason for shortfalls, if any. The Committee also trusts that the

Department will exercise due care and caution while compiling and furnishing material to the Committee, and will supply documents duly authenticated at senior levels .

II. Working Group on Information Technology for Tenth Five Year plan

20. The Committee wanted to know about the plans of the Department of IT with regard to the schemes it intended to implement during the Tenth Plan period. In reply the Department of Information Technology has stated that for the Tenth Plan, Planning Commission had constituted a working group on Information Technology. The Working Group Report has been submitted to Planning Commission in November 2001.

21. In its report the Working Group has contended that, India has enormous opportunities emerging from globalization and consequent lowering of tariff barriers. These need to be consolidated through brand equity,

Marketing contact, upgrading of manpower skill base, moving up the value chain, better infrastructure and economies of scale through larger domestic market base, R&D especially on e-security aspects and strengthening of hardware sector. There is urgent need to strengthen IT infrastructure both for software exports and citizen centric interface. Distance learning is the need of the hour to spread education and regular upgrdation of skills. This will need interconnecting all schools and colleges in the country (60,000 aprox) through a network with initial support from the Government. This will promote IT among masses and minimize digital divide.

22. The Committee observes that the Working Group on Information Technology Sector for Tenth Five Year Plan (2002-2007) set up by the Planning Commission has identified that India has enormous opportunities to benefit from globalisation and consequent lowering of tariff barriers. These have to be consolidated through up-gradation of manpower skill base, R&D especially on e-Security etc. for which there is an urgent need to strengthen the IT infrastructure software and hardware exports and citizen centric interface. Stress has also been laid on Distance learning and interconnecting all schools and colleges in the country. The Committee would like to be apprised of the steps initiated in pursuance of the recommendations of the Working Group and whether the Government has accepted those recommendations. The Committee observes that in view of the drastic reduction in the plan outlay of the Department of IT, in the previous year as well as current year, it will not be possible to

make a breakthrough. The Committee feels that the Planning Commission should lay stress on resource generation to implement the plans proposed to be pursued during the Tenth Plan Period. The Committee recommends that the Department of IT take up the matter with the Planning Commission and Ministry of Finance at the highest level so that the proposed projects do not languish for want of funds. Since the other Ministries/Departments have not allocated required funds for Information Technology in their budget estimates, it is for the Department of Information Technology to fill the gap to the optimum level by enhanced allocations on various schemes.

III. RESEARCH AND DEVELOPMENT

23. The Committee drew attention to reduction in allocation for R&D from the proposed outlay of Rs. 454.53 crore and subsequent actual allocation of Rs. 113.30 crore in 2002-2003 and desired to know the impact of the same on the R&D efforts of the Department. In a written reply it has been stated that due to reduced allocation of budgetary support, core R&D activities being carried out at the R&D societies of the Department would be curtailed. In so far as sponsored R&D activities are concerned, the reduced allocation would result in corresponding decrease in number of R&D projects as well as the institutions that could be brought under the ambit of sponsored R&D.

24. To a further query regarding what R&D schemes would have to be sacrificed, it has been submitted that some of the work which could have been taken up if additional funds were provided, are R&D activity on growth of GaN material at SAMEER and Networked automation, smart card based system, low emission vehicle technology projects of increased support for patent protection at ER&DCI.

25. The Committee desired to know whether any study had been conducted to understand the constraints being faced by the Research Laboratories. It has been stated that no specific study has been carried out. However, from regular meeting held for the review of projects funded by the Department, it has been gathered that the grants-in-aid available for carrying out the research and development, needs to be substantially increased. In the field of Electronic Materials, the constraints faced by the R&D laboratories are inadequate infrastructure, non-availability of required testing and evaluation facilities under one premises.

26. The Committee is of the view that more allocation for R&D and direct Government efforts in R&D are essential and will substantially increase the possibility of greater diffusion of technology. Therefore, a greater involvement of the Government in R&D efforts can play an important role in creating a wider technological base in the country. The Committee deprecates the present attitude of callous indifference towards R&D on the part of Government.

27. The Committee is constrained to note that due to reduction in funds core R&D activities being carried out at R&D societies would be curtailed and that R&D activities at SAMEER and ERDCI would be adversely affected. It is a matter of serious concern that R&D laboratories are receiving meagre and almost token grants-in-aid which results in inadequate infrastructure and testing equipment.

28. The Committee further feels that in view of the pivotal role being played by the R&D laboratories for providing technical support to the IT & Electronics industry in the country, the Government must make an earnest effort to asses the infrastructural requirement of its R&D laboratories and find ways and means to enhance allocations to them.

29. The Committee recommends that the Department should take up the matter with the Ministry of Finance and Planning Commission at the highest level to ensure that the Department gets adequate resources for carrying out its programmes.

IV. VENTURE CAPITAL FUND

30. The Committee desired to know the assessment of the Department on the Venture Capital Fund. In reply, the Committee has been informed that the National Venture Capital Fund for software and IT was set up in August 1999, with a corpus of Rs.100 crore. The erstwhile Ministry of IT had decided to hand over the scheme to SIDBI. It created a fund called SIDBI Venture Capital wherein 33 per cent of the money was put by SIDBI, 33 per cent by IDBI and 33 per cent by the Ministry of IT.

31. Asked about the procedure followed to make the capital available to the prospective entrepreneurs from the fund, the Department of Information Technology in a written note furnished to the Committee has stated that the process for issuing of Venture Capital involved a Preliminary Evaluation Committee (PEC) comprising the officers of SIDBI Venture Capital limited (SVCL), which carried out the preliminary evaluation of the

proposals received for venture capital investment. The shortlisted proposals were taken up for detailed due diligence, this was an exhaustive exercise and entailed taking feedback from experts, evaluating the past performance and track record of promoters, future market prospects and financial structuring. The cases found investment worthy after the completion of due diligence by the SVCL were put up to an Investment Committee (IC), of the National Venture Fund for Software and IT Industry. The IC deliberated and recommended the proposal for sanction to the Broad of Directors of SVCL, such proposals were thereafter considered for final approval.

32. On a specific query how much an entrepreneur has to wait for approval; the representatives replied that it takes about 3 to 4 months.

33. The Representative further apprised the Committee that the Department has advised that SIDBI should change its attitude, since they were acting like any other institutional Banker, whereas venture capital required a different approach. The Secretary, Department of Information Technology further added that if venture capital is managed by any Government or semi-Government institution, then their approach would be bureaucratic, and it would take years and years for them to process the proposals. The Committee pointed out that, time is of great value and the Secretary replied in affirmative and stated that the approach to IT venture capital funding is flawed.

34. The Committee wanted to know the view of the Government as to what should be done to remedy the situation. The Secretary replied that as long as the decision-making was in public sector, the authorities would not go in for any risky investment and in his opinion the decision-making has to go to private sector.

35. The Secretary informed the Committee that the procedure of IT venture capital funding should be such that the Rs. 100 crore capital earmarked for the fund, should have spawned ten small funds on which Government funding could be Rs. 10 crore *vis-à-vis* private funding which could be about Rs. 30 crore to Rs. 40 crore, thereby, creating 10 different funds, totalling Rs. 500 crore. Since the government funding would be only Rs. 10 crore, according to him, the decision-making should remain in private hands. He added that, Government could hold preferential shares, which would take care of its investment and Government would receive first layer of profits. The windfall profits would accrue to the private sector. The Secretary informed, that, this was how Venture capital funding was being

done in the global market and was proving to be successful. In his view, Government funding is not used for giving loans, it should be used for creating a seed capital for other funds, which are private funds, and this is the line that should be adopted.

36. It has been stated to the Committee through a note that six proposals were under examination for Venture Capital aggregating Rs.27 crore, and net sanction aggregated Rs.46.09 crore to 20 companies, has been made as on 31 March 2002.

37. The Committee notes with concern that the procedure for sanction of Venture Capital has become cumbersome and time consuming, which will discourage potential seekers of venture capital. The Committee also notes with concern that SIDBI could sanction only Rs.46.9 crore as venture Fund to 20 companies so far from its inception and only 6 more proposals are pending with it.

38. The Committee is of the opinion that with a view to avoid rigorous and time-consuming procedure and bureaucratic approach, SIDBI should re-orient its approach and adopt a proper procedure which will achieve the objective of promoting enterprise in software and IT industry.

39. The Committee generally agrees with the view of the Secretary, Department of IT, that the role of Government should be that of a facilitator by providing seed capital, in association with private bodies, but the essential initiative should be taken by and be left with the Government.

40. The Committee is of the opinion that with proper commitment the Venture Capital Fund can be duly managed by SIDBI or a suitable public authority for the development of the sector.

41. The Committee recommends that the matter should be examined at the highest level in coordination with concerned agencies, for a more simplified method for use of Venture Capital, so that it could accelerate the development of the IT Sector. The Committee also recommends that the Government with appropriate policy framework and initial seed capital, should act primarily as a facilitator.

V. DOEACC

42. From a perusal of Budget Brief material furnished to the Committee, it has been observed that recognition to DOEACC 'C' level as equivalent to M.Tech., for the purpose of

employment is under consideration of AICTE since 2000-2001 and a Report in this regard was expected to be received in the same year *i.e*. 2001. However, a further perusal of material relating to Demands for Grants 2002-2003 indicates that the target date for recognition of DOEACC 'C' level qualification had been fixed as March, 2002. To a specific query whether the DOEACC 'B' level which is equivalent to MCA is also recognised for higher academic purpose. The Department has replied that for higher academic purpose DOEACC 'B' level course is not recognised by various universities though it has been recognised equivalent to MCA for job purpose. The Department of Information Technology further apprised the Committee that the matter is pending with the Association of Universities (AoU) for academic equivalence.

43. The Committee notes that DOEACC 'B' level qualification has been recognised for employment purpose and the Ministry of HRD issued notification in this regard on 26 September, 2000. The Committee further notes that the matter relating to recognition of DOEACC 'C' level qualification as equivalent to M-Tech for employment purpose is under consideration of AICTE; the report of which is expected shortly. The committee is perturbed to note that it has taken a long time without any justification, for recognition of DOEACC 'C' level as equivalent to M.Tech and this recognition has not come so far. The Committee feels fixing of target from year to year serves no purpose unless proper attention is paid towards its achievement. Therefore, the Committee recommends that the Department of IT should earnestly pursue the matter with the concerned authorities at a higher level for early recognition of DOEACC 'C' level qualification in the larger interest.

44. The Committee further observes that DOEACC 'B' level has been recognised for professional purpose as equivalent to MCA whereas it has not been recognised as such for higher academic purposes. The Committee feels that since quality of DOEACC education for all levels of computer education is second to none, there is no reason why it should not be recognised for higher education. The Committee also feels that if academic recognition is accorded to all levels of DOEACC computer education, it will go a long way in solving multiple problems being faced in Human Resource Development in the I.T sector. The Committee therefore, recommends that the

Department of I.T. should take up the matter at the highest level to ensure early recognition of its courses.

VI. EMPLOYMENT GENERATION INCLUDING SC/ST BACKWARD REGIONS & NORTH-EAST

45. The Committee pointed out that a sum of Rs. 1 crore had been provided under BE for the year 2002-2003, which is less than the Actual spending i.e. 1.20 crore, of the previous year and desired to know the reason thereof and number of pending applications with the Department under the scheme.

46. The Department in a written note has stated that the scheme is in operation for the last 4 years, it has been noticed that some of the institutions funded under the scheme, have not shown any substantial progress in implementation of the scheme and hence the scope of the scheme is under review. More than 100 applications are pending with the Department under this scheme. However, many of these may not be eligible for funding

47. The Committee further enquired about the steps being taken to promote employment opportunities in North-East and among SCs/STs. It has been submitted that under the EGTS programme skills of unemployed is enhanced so that they become employable. The course 'O' level and 'A'LEVEL, Repair and maintenance of personnel computers etc. are offered for generating employment.

48. The Committee notes that there were 100 applications pending under this scheme with the Department. It is surprising that the Department has not apprised the Committee as to why these applications have been pending with them and for how long. The Committee is perturbed to note that, institutions, which have been funded under this scheme, are not showing interest in implementing the scheme and the Department did not take any initiative for monitoring the progress of these institutions. The Committee deprecates the attitude of the Department in this respect. The Committee will like the Department of Information Technology to investigate into the reasons for slow progress of the scheme and allocate adequate funds to help and bring the youth of North-East into the mainstream.

VII. NATIONAL INFORMATICS CENTRE (NIC)

49. NIC is a premier organisation for Informatics Development and Networking in Government and Public Corporate Sector. NICNET facilities have been established in Central Government Departments, 35 states/ Union Territories and about 600 District Centres to facilitate Informatics development for decision support and information exchange. NIC also imparts training to Government employees on regular basis, NIC has trained about 20,000 Government officials through formal and informal training programmes all over India during 2001-2002.

50. The Committee pointed out that for NIC the Department had proposed an allocation of Rs. 275 crore and has been granted Rs. 175 crore, and desired to know the effect of the reduction on its programmes. The Secretary, Department of Information Technology stated in evidence that NIC would not be able to engage the kind of manpower it wants, and address to constraints of Bandwidth. The Committee inquired about the requirement of manpower in NIC, a representative stated that the staff strength of NIC was 3,700 and it required another 150 people.

51. In reply to another query, the Committee has been informed that with the reduction in allocation, NIC would not be able to take up certain major development projects which were outlined in the Tenth Plan. On being asked about the activities which NIC would not be able to take up, in a written note furnished to the Committee it has been submitted that, the following programmes/activities requiring a total allocation of Rs. 100 crore would suffer:

(a)Upgradation of servers in the States/Central Government

(b) Back-up data centre.

(c) Upgradation of state video facilities

(d) Supplementing NICNET, hub and Remotes for states and Districts

(e) Augmentation of connectivity and IT infrastructure for Courts computerisation.

(f) Skill upgradation/e-learning

(g) NE state Centres and Secretariat IT infrastructure

(h) High Speed Terrestrial Circuts

(i) Backup facilities for Land Records Computerisation Project

(j) ASP Services and Content

(k) Support to Regional Computer Centre.

52. The Committee notes that NIC is rendering yeomen'sfff service in providing computing support to the Central Government Departments, States, and Districts administration. The Committee observes that the Department has been allocated a fund of Rs. 175 crore against the proposed outlay of Rs 275 crore for initiating several new schemes during 2002-2003. In view of the reduction in allocation the Committee notes that the NIC will not be able to take up its projects and schemes effectively.

53. The Committee observes that the existing manpower of the NIC is 3700 and running short of 150 technical manpower. The Committee further observes that besides the new initiatives, the NIC had proposed to take up several projects/schemes during the year 2002-03. The Committee apprehends that financial as well as manpower constraints will severely limit the functioning of NIC which in turn will jeopardise the introduction and strengthening of IT schemes. The Committee, therefore, recommends that the matter should be taken up in the right perspective at the highest level with the Planning Commission and the Ministry of Finance to ensure that the Department gets adequate resource to carrying out its programmes/schemes.

VIII. SOFTWARE

54. The Secretary, Department of Information Technology informed the Committee in evidence that, in the current year, IT industry will grow at the rate of 30 percent as compared to 4 to 5 percent growth of other industries.

55. To a query on the impact of global slowdown, the Secretary, Department of Information Technology replied that, the global slowdown had brought an opportunity for India. So far India had been sending professionals abroad, and they were working for different companies and sending their remittance to India. However, because of the global slow down companies were shedding personal both in America and Europe, but continued their business by outsourcing in India. He added, that in the long run this would be very good for India because it would create more employment for our people.

56. The Committee desired to know about 10 per cent tax proposal in this year's budget on the export earning of IT companies. In reply in a written note the Department has submitted, that the Budget proposal for partial removal of exemption on export profit under

Section 10 A and 10 B of the Income Tax Act has negative ramifications for the software industry. The Committee has been further informed that, the Software industry is a sunrise industry and it was given a tax holiday till the year 2010 as a long-term policy measure. The investment decisions of the foreign companies investing in India were based on this long term policy commitment from the Government of India.

57. The Committee has been further informed that, this announcement has been taken by the software industry as a case of government of India resiling from a policy measure. It has been further added that the proposal will act as a damper on FDI in software sector. This decision may also hit adversely the small and medium software enterprises that operate on low margins. The Department is of the view that, the timing for bringing software industry within tax-net is inappropriate in the context of the prevalent global slowdown. At a time when the Indian software industry had projected itself as the best value proposition and the most attractive software and business-outsourcing destination, budget proposal curtails the value proposition and profitability picture of Indian Software Companies and would compound their difficulties in enlarging outsourcing opportunities.

58. The Committee, has been informed that out of the total software exports of Rs 28,350 crores during 2000-01, almost 62 per cent was to North America, 24 percent was to Europe and 4 per cent to Japan and 10 per cent to rest of the world, with the backdrop of slowdown in the US Economy, Indian Companies have been actively expanding into newer markets, increasing their presence in Europe and setting up alliances in Asia, and the companies in Europe and Japan have been increasing their outsourcing to India.

59. In a presentation before the Committee, it was highlighted that India's share in the global software market amounted only to 2 percent.

60. The Committee appreciates the achievements of the software sector in attaining a 30 per cent growth, as compared to 4 to 5 per cent growth of other industries, even in the year of global slowdown. The Committee notes that the global slowdown has proved to be a big opportunity for the Indian software industry, for software exports as well as for employment opportunities. The Committee trusts that the Government will take advantage of this situation and extend all out support to the industry in expanding their network in India and abroad. The steps taken in this regard may also be intimated to the Committee.

61. The Committee is concerned to note that 10 per-cent tax proposal in the Budget on software companies, would have an adverse impact on the growth of software industry and the proposal is being considered as a damper to FDI in software IT industry. The Committee feels that, the present budget proposal for partial removal of exemption on export profits under Section 10 A and 10 B would have a negative effect on the Software Industry. The Committee also notes that a tax holiday up to the year 2010 was committed as a long term policy measure to the software sector because it was considered as a sunrise industry. The Committee feels that the software industry is in its infancy and needs long term uniform policy which should be implemented, in letter and spirit. The Committee does not appreciate the action of the Government to suddenly withdraw exemption already granted up to 2010 as tax holiday.

62. The Committee further notes that there is a greater scope to enlarge the base of the Software sector to new markets of Europe, Japan and Asia. The Committee feels that expansion of IT industry to other countries will be extremely difficult in the absence of adequate funds, infrastructure and uniform and stable policy measures.

63. The Committee recommends that the Department take up the matter with the Ministry of Finance for reviewing the current position in the larger interest of the software sector.

IX. HARDWARE

64. The Committee has been informed that during the Ninth Plan period while the Software sector grew at the rate of 50 per cent the Hardware sector grew at the rate of 10 per cent only.

65. The Committee desired to know whether Indian entrepreneurs were taking interest in the hardware industry. A representative of the Department replied in affirmative. However, he pointed out that there were some constraints. It was also stated that large number of US companies in the hardware have shown interest to come to India, provided some of the bottlenecks are removed.

66. In a written note furnished to the Committee, the Department has cited some of the major constraints impeding the growth of the Hardware sector. These are stated to be inverted tariff structure, lack of local availability of inputs, changing government policies, high interest rates, customs duty on capital goods, poor infrastructure, longer and variable transit times.

All these add to uncertainty, delays and increased costs which have a significant impact on the profitability of companies operating in India.

67. The Committee was also informed that as compared to the 2.2 million-employment generation capacity of Software, Hardware Sector has a capacity to generate Direct employment to 1.6 million and indirect employment to 3.2 million.

68. The Committee enquired about the steps taken to help the Hardware Industry and about the stress laid on this aspect in the 2002-2003 Annual Budget., The Secretary, Department of Information Technology replied that several measures have been taken through the budget and through the export import policy, which are going to have a major impact on the hardware sector.

69. The Secretary further added that, one of the major constraints which was holding up the hardware sector was the inverted tariff regime, wherein finished goods came at zero duty and intermediate goods attracted a higher rate of duty. Through the budget, a large area of inverted tariff regime has been rectified.

70. He further informed that, there has been substantial improvement in the rate of interests and customs duty on capital goods, as far as poor infrastructure is concerned, the department was not directly involved, Ministry of Commerce which is responsible for this, in the Exim policy of this year has tried to address to this problem through creation of 13 SECs, on the model of SECs in China. However, the Secretary, Department of Information Technology stressed that, after a long time the hardware industry was showing a certain degree of vibrancy and a sign of turnaround.

71. The Committee notes with concern that during the IX Plan period the Hardware sector could grow slowly at the rate of 10 per cent only as compared to the growth rate of 50 per cent achieved by the software sector. The Committee feels that the Hardware sector which has remained neglected so far is also important and complementary to the growth of the software industry. It has a potential to provide/ generate direct employment for 1.6 million and indirect employment for 3.2 million as compared to the 2.2-million employment capacity of the software sector. Since the constraints have already been identified as inverted tariff structure, non-availability of inputs, shifting Government policies and poor infrastructure etc., the Committee trust that remedial steps will be initiated without further loss of time.

72. The Committee appreciates that the Government has taken some measures in the Budget and the Exim policy for the growth of the Hardware sector, which also addresses some of the constraints being faced by the hardware sector. However, these measures are not adequate in view of the potential of generating employment. The Committee feels that more steps will be taken expeditiously.

73. The Committee notes that the growth of the Hardware Industry which lagged behind the growth the of Software Industry has shown a certain degree of vibrancy and a sign of turn around. The Committee feels that this is the opportune time for the Hardware Industry to be encouraged to move further. However, the Committee also feels that it needs to be matched with a sustained and long-term policy measure, which addresses to the further requirements of the Hardware sector. The Committee trusts that the Department will spare no effort to redress further all other constraints of the Hardware sector in order to enable it to attain global standards.

X. UPGRADATION OF ERNET

74. The Committee desired to know about the number of Points of Presence (PoPs) upgraded within the target year 2001-2002. In reply, the Department submitted that ERNET has upgraded 11 PoPs and more were not added due to the following reasons:

(a) CCEA approval for upgradation of ERNET came in May 2001. ERNET has so far received only Rs 33.90 crore against approved budgetary support of Rs 55 crore.

(b) ERNET started discussion in 1999 with UGC and MHRD for ERNET connectivity to the Universities and affiliated colleges in the Country. There has been an encouraging response from MHRD and UGC and though the proposal has been approved by the UGC, yet formal signing of MOU/Contract has not materialised.

75. On a specific query as to the reasons for not materialising of the Contract as the proposal has been approved by the UGC & MHRD in pursuance of the discussion with them which was started in 1999. In reply the department, submitted UGC and Department of IT signed a Memorandum of understanding on 4 April 2002 to become a technology partner.

76. To a query, regarding yearly revenue to be generated by materialising the contract with UGC, In reply, the Department has submitted that on an average revenue of Rs. 15 crore is

expected to be generated yearly by ERNET for connectivity to Engineering Colleges and Universities.

77. The committee drew attention to the fact that three training centres (ERNET) had to be completed in 2001-02 whereas only one had been completed, and desired to know the reasons for shortfall. In a written reply the Department, submitted that, one training centre is operational at Delhi from March 2001. The ideas was to open training centres at ERNET Points of Presence (PoP) after analysing the performance and users response. Keeping in view the users response for Delhi Centre as well as recession in the IT Sector, it was considered appropriate to defer the plan for opening of remaining two centres.

78. The Committee further desired to know about the experience of the Department of Information Technology gained from training centres which was in operation since March 2001, and in view of the same whether there is any move for opening of remaining two centres at ERNET POP in the near future, in a subsequent reply, it has been submitted that the experience of the users have been extremely good. The users are able to handle the equipments and the networking in a more effective manner than before.

79. The committee observes that 25 Points of Presence (POP) were to be upgraded by ERNET during the year 2001-2002 but only 11 could be completed so far against the fund allocation of Rs 33.90 crore within the budgetary allocation of Rs. 55 crore. The Department attributes the reason for not attending to the remaining POPs for delay in CCEA approval, which was given on May 2001. The Committee note that the CCEA approval was given in the beginning of the year. Instead of owning responsibility for delay in implementation of the programme, the Department has preferred to the take easy course of escapism. The Committee does not appreciate this action of the Department in view of the significance of the project.

80. The Committee further notes that there had been no serious efforts to implement the contract on time, and thus there has been revenue loss to the tune of Rs 15 crore yearly which was expected to be generated for providing connectivity and could have been realised by ERNET.

81. The Committee notes that 3 training centres at ERNET POP had to be completed in 2001-2002. However, only one had been completed at Delhi. The Committee further notes that the idea was to open remaining two training centres at ERNET POP after

analysing the performance and user response at Delhi centre, However, in view of user response for Delhi centre as well as recession in the IT sector, the Department of Information Technology deferred the plan for opening of the remaining two centres. The Committee is surprised to know from the subsequent reply of the Department on the same issue that the experience of users has been extremely good in respect of the Delhi Centre. In view of this, the Committee fails to understand as to why a decision was taken to defer the opening of the remaining two centres when the users' response was good.. The Committee deprecates the callousness of the Department in furnishing such contradictory information.

XI. <u>SEMICONDUCTOR COMPLEX Ltd.</u>

82. The Semiconductor Complex Limited (SCL) at Chandigarh has been in the business of design, development and manufacture of LSI/VLSI devises and system/board level products.

83. Committee drew attention to a document furnished by the Department, referring to the targets and achievement of the SCL, it was informed that on the target side SCL planed to achieve a sales turnover of Rs 72.69 crore during the fiscal year 2001-2002, however the achievement was of Rs. 47.44 crore, yet it had been mentioned that targets have been achieved. In reply, the representative of the Department stated that it was an error.

84. In a document furnished by the Department, it has been found from the Physical achievements for the year 2000-2001 and 2001-2002 different version regarding the purchase of the Mixed signal Tester had been given. During the year 2000-01, it has been mentioned that the scheduled completion date of March 2001 could be achieved upon making the required economic analysis and approval by the Board; the procurement action was progressing further. On further perusal of targets and achievement of the year 2001-2002, as the date of procurement as December 2001, however in a subsequent document furnished to the Committee on the same matter has been mentioned as 'activity deferred'.

85. The Committee desired to know about the procurement and installation of Mixed Signal Tester. In reply the representative submitted that it is a very expensive equipment costing Rs. 10 crores plus, and on a business consideration there was a view to explore the possibility to get the data tested outside India at an economical rate rather than procuring the Mixed Signal Tester.

86. The Committee pointed out why it was decided to get it, if it is cheaper to get the data tested outside India and what sort of plan preparation was involved. In reply, the representative submitted that the original project submitted for approval to the Cabinet had included a list of capital equipment, which also included the tester. The project was approved by the Cabinet in 1997.

87. The Committee notes that the Semiconductor Complex limited had fixed a financial target of Rs. 76.69 crore for the year 2001-2002, but achieved a turnover of Rs 47.44 crore only. However, the Committee was misled in the first instance by the Department of Information Technology stating that the 'targets have been achieved' On further interrogation, the Department of Information Technology realised its mistake and corrected itself. The Committee takes a serious view of the misleading information furnished by the Department and will like the matter to be probed with a view to fix responsibility.

88. The Committee notes that the Department of Information Technology planned to procure and install a Mixed Signal Tester. Accordingly, approval from the Cabinet was obtained in 1997. However, the same was not imported considering that the equipment was costing more than Rs. 10 crore. Meanwhile, the testing of the data continued to be done outside India as it was considered to be economical rather than procuring the Signal Tester. The Committee is unable to appreciate how the proposal for procurement of Signal Tester was put up to the Cabinet when it was economical to get the testing done outside. It is really very strange and amusing that after Cabinet's approval, it occured to the Department that that the Tester is costly and not economical. It is a sad commentary on the planning and functioning of the Department since the Cabinet was taken for a ride. It is not understood on what basis approval from the Cabinet was sought. The Department owes an explanation to the Committee in this regard.

X. MEDIA LAB ASIA

89. The Committee has been informed that the role of the Media Lab Asia is to facilitate the invention, refinement and deployment of innovations that benefit the masses. The Media Lab Asia would work with industry, NGOs, Government and most importantly with ordinary people to bring these innovations to every village in India.

90. The Secretary, Department of Information Technology stated that some of the major projects of the Media Lab Asia included, World computer, aimed at breaking poverty

barrier and the literacy barrier so that the common man could use these devices. A language programme and a programme for providing broad band connectivity to masses in rural areas would be there. He further informed that the Media Lab Asia project has been approved for one year commencing from 1 January, 2002 to 31 December, 2002. Thereafter, an Evaluation Committee would evaluate the deliverables that would have been delivered by the project during the year. Depending on that, the Department of Information Technology would take a final decision on launching a ten year programme.

91. The Committee desired to know the total requirement of funds for the Media lab Asia project. In a written note, the Department has submitted that the total requirement of funds for the Media Lab Asia as sanctioned by the Cabinet Committee on Economic Affairs was Rs.65 crore. The Committee enquired whether these funds would lapse if not utilized during the calendar year. The Secretary in replied that the funds would not lapse because there was a contractual obligation which the Department made to the Media Lab Society and it would take care of the entire one year's funding of the project.

92. The Committee notes that with the objective to provide the benefits of Information Technology to the common man, the Media Lab Asia project would undertake projects like World Computer, Language Programme and broad band connectivity to rural areas. The Committee further notes that the project has been granted approval for one year i.e. from 1 January, 2002 to 31 December, 2002. Thereafter, the project would be subjected to evaluation and based upon its achievements, it would be decided whether the project might be granted further extension. The Committee also notes that a substantial amount of funds amounting to Rs. 65 crore has been allocated for the first year of the project and it is meant for meeting the contractual obligation the Department has made to Media Lab Society. The Committee would like to be apprised of the projects undertaken and achievements made by the Media Lab Asia in greater details. Meanwhile, the Committee desires that effective monitoring over the implementation of the project in the given time frame may be ensured so that the benefits of heavy investments of public funds accrue to the people at an early date.

XI. E-GOVERNANCE

93. A perusal of the Budget Estimates shows that a sum of Rs. 41.17 crore has been provided for E-Governance for 2002-03. Asked about the details of the schemes and the projections made by the Department of Information Technology to the Planning Commission on E-Governance, the Department in a note has furnished the following details:

	Name of Project/Scheme	**Fund Required (Rs. cr.)**
1.	Preparation of vision, mission, road maps, guidelines for E-Governance, formulation of policy on PPP in EG and assessment of e-readiness of states, central and state governments.	5
2.	Establishment of State LAN/WAN intranets and Data Depositories as support infrastructure for E-Governance.	20
3.	Establishment of State, Central EG portal, Procurement portal, Citizen Service centers.	20
4.	Collaborative EG core projects e.g. LR, Registration, CT, etc.	10
5.	Collaborative projects in key sectors of the economy e.g. power, Transport, ports, etc.	10
6.	Collaborative projects in social sector e.g. Creation of digital content for E-education, agricultural market information system, etc.	10
7.	Creation of national E-Governance initiative data bases.	10
8.	Scheme for assessment and evaluation of EG projects, national awards	5
9.	PR campaigns, creation of on-line facilities for interaction	10
10.	Creation of on-line training facilities for employees	5
11.	National GIS project:	10
	TOTAL (additionality)	**115**

94. The Committee drew attention of the Secretary, Department of Information Technology to the fact that during the year 2001-2002, the Department could utilise only a sum of Rs. 2.38 crore against budgetary allocation of Rs. 5 crore and desired to know the reasons for under-utilisation. In reply, the Secretary, Department of Information Technology

has stated that it was just starting. He further clarified that the provisions made in the Budget Estimates of Rs. 42 crore was grossly inadequate for E-Governance.

95. The Committee is constrained to note that because of the inadequate funding in the Budget Estimates for such an important scheme like E-Governance, many important schemes had to be abandoned. The Department had projected an investment of Rs.115 crore for the establishment of important schemes such as State LAN/WAN intranets and Data Depositories as support infrastructure for E-Governance; Establishment of State, Central EG portal, Procurement portal, Citizen Service centers; Collaborative EG core projects e.g. LR, Registration, CT, etc.; Collaborative projects in key sectors of the economy e.g. power, Transport, ports, etc.; Collaborative projects in social sector e.g. Creation of digital content for E-education, agricultural market information system, etc. and Creation of national E-Governance initiative data bases have been abandoned. The Committee, therefore, recommends that the Department of Information Technology should take up the matter at RE stage to get additional funds for these schemes to implement E-Governance schemes.

XII. SOFTWARE TECHNOLOGY PARKS OF INDIA (STPI)

96. Software Technology Parks of India (STPI) is an important scheme under infrastructure development. The Department of Information Technology had proposed an outlay of Rs.50 crore for Annual Plan 2002-2003 for the scheme and the whole amount had to come from budgetary grants. However, during the previous year also only a sum of Rs.8 crore was provided for the scheme. Asked about the specific targets achieved during 2001-2002 under the scheme, the Department in a note has stated that work in respect of Nasik, Thirunavalli, Agaratala, Sikkim and Salem was still under progress. In reply to a query by the Committee in this regard, the Secretary, Department of Information Technology in evidence stated that the areas where the Department would be handicapped would be infrastructure creation. The Department wanted to set up incubation facilities in the existing facilities at STPI's and also new facilities in new areas.

97. The Committee is concerned to note that a small sum of Rs. 8 crore has been provided in the budget estimates for such an important schemes like Software Technology Parks of India (STPI). In the previous year also, the funds provided were only Rs. 8 crore. The Committee feels that the meagre funds being allocated on such important infrastructure schemes will not help to make a break-through in development of information technology all over the country. In fact, more and more STPIs are required to be opened to meet the genuine aspirations of the various regions/states to develop IT industry and create employment opportunities there. The lack of funds should not be allowed to hinder the progress in this respect. The Committee trusts that the matter will be looked into at the RE stage to redress the grievances of the different areas/states in the country.

New Delhi
15 April, 2002
25 Chaitra, 1924 (Saka)

SOMNATH CHATTERJEE,
CHAIRMAN,
STANDING COMMITTEE ON INFORMATION TECHNOLOGY